

Sunnyvale Financing Authority

Sunnyvale, California

**Basic Financial Statements
and Independent Auditors' Reports**
For the year ended June 30, 2003



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INDEPENDENT AUDITORS' REPORT

To the Members of the Governing Board
of the Sunnyvale Financing Authority
Sunnyvale, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Sunnyvale Financing Authority (Authority), a component unit of the City of Sunnyvale, as of and for the year ended June 30, 2003, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Authority as of June 30, 2003, and the results of its activities and changes in net assets for the year then ended in conformity with generally accepted accounting principles in the United States.

As described in Note 1 to the basic financial statements, the Authority adopted statements of the Governmental Accounting Standards Board No. 39, *Determining Whether Certain Organizations are Component Units*; and, No. 41, *Budgetary Comparison Schedules - Perspective Differences*.

The accompanying Required Supplementary Information, such as management's discussion and analysis as listed in the table of contents, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

Caporicci & Larson

Oakland, California
October 16, 2003



***Management's Discussion and Analysis
Fiscal Year Ended June 30, 2003***

This analysis of the Sunnyvale Financing Authority (Authority) of the City of Sunnyvale's (City) financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2003. Please read it in conjunction with the accompanying basic component unit financial statements and the accompanying notes to those component unit financial statements.

A. FINANCIAL HIGHLIGHTS

- At June 30, 2003, the Authority had net assets of \$2.7 million; total net assets increased during the fiscal year by \$351,157 due to lease revenues received from the City and interest earned on investments exceeding interest expense.
- During the fiscal year ended June 30, 2003, the Authority's 1992 Utilities Revenue Bonds, Series B were paid off by the City's issuance of the Solid Waste Revenue Refunding Bonds, Series 2003.
- The Authority's other bonded indebtedness decreased by \$1,520,000 during the current fiscal year as a result of current debt service repayments.

B. OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements, which are comprised of three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Basic Financial Statements.

The basic financial statements include only the Authority, which is a component unit of the City and is reported in the City's financial statements using the blended method.

The Authority's main activity is the issuance of debt for the benefit of the City.

Government-Wide Financial Statements

The Government-Wide Financial Statements present the financial picture of the Authority and provide readers with a broad view of the Authority's finances. These statements present governmental activities and include all assets of the Authority as well as all liabilities (including long-term debt). Additionally, certain interfund receivables, payables and other interfund activity have been eliminated as prescribed by GASB Statement No. 34.

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets report information about the Authority as a whole and about its activities. These statements include *all* assets and liabilities of the Authority using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2003

B. OVERVIEW OF FINANCIAL STATEMENTS, Continued

Government-Wide Financial Statements, Continued

The Statement of Net Assets presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Activities and Changes in Net Assets presents information showing how the Authority's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows.

The Authority only has governmental activities, which are shown in the Statement of Net Assets and the Statement of Activities and Changes in Net Assets.

The Authority's main function is the issuance of debt and as a result, the activities of the Authority are restricted to the payment of interest expense and other debt related costs such as bond issuance costs and fiscal agent fees.

Fund Financial Statements

The Fund Financial Statements provide detailed information about the Authority's major funds—not the Authority as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using its resources.

The Fund Financial Statements include statements for the Governmental Funds which are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The Governmental Funds are used to account for essentially the same functions reported as governmental activities in the Government-Wide Financial Statements. However, unlike the Government-Wide Financial Statements, Governmental Funds Financial Statements focus on current financial resources, which emphasize near-term inflows and outflows of spendable resources as well as balances of spendable resources at the end of the fiscal year. This information is essential in evaluating the Authority's near-term financial requirements.

In order to better understand the Authority's long-term and short-term requirements, it is useful to compare the Authority's Governmental Fund Statements with the governmental activities in the Government-Wide Financial Statements. A reconciliation is provided for both the Governmental Fund Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances to facilitate this comparison.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2003**B. OVERVIEW OF FINANCIAL STATEMENTS, Continued****Fund Financial Statements, Continued**

All of the Authority's funds were determined to be major funds. These funds include the 2001 Government Center Certificates of Participation Debt Service Fund, the 1992 Utilities Revenue Bonds, Series B Debt Service Fund, the Water and Wastewater Revenue Bonds, Series 2001 Debt Service Fund and the 2001 Wastewater Capital Projects Fund, which are reported in detail in the Governmental Fund Financial Statements.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS**Statement of Net Assets**

Net assets are a good indicator of the Authority's financial position. During this fiscal year, the Authority had net assets of \$2.7 million.

The following is the condensed comparative Statement of Net Assets.

Sunnyvale Financing Authority		
Condensed Statements of Net Assets		
(Amounts in Thousands)		
	2003	2002
Assets:		
Current Assets	\$ 18,223	\$ 18,860
Noncurrent Assets	33,785	53,585
Total Assets	52,008	72,445
Liabilities:		
Current Liabilities	1,946	2,935
Long-term Liabilities	47,375	67,175
Total Liabilities	49,321	70,110
Net Assets:		
Restricted for Debt Service	2,686	2,336
Total Net Assets	\$ 2,686	\$ 2,336

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2003**C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued****Statement of Net Assets, Continued**

The Authority's net assets of \$2.7 million are subject to restrictions for debt service reserve requirements as determined by bond covenants and their use is determined by those restrictions and agreements.

Statement of Activities

The following is the condensed comparative Statement of Activities and Changes in Net Assets.

Sunnyvale Financing Authority
Condensed Statement of Activities and Changes in Net Assets
(Amounts in Thousands)

	2003	2002
Revenues:		
Program Revenues:		
Charges for Services	\$ 2,307	\$ 2,637
Expenses:		
Environmental Management	1,956	3,471
Increase (Decrease) in Net Assets	351	(834)
Net Assets - Beginning	2,336	3,170
Net Assets - Ending	\$ 2,687	\$ 2,336

The Authority's only expense during this fiscal year was interest on long-term debt. Revenues consisted of lease revenues received from the City and investment earnings, which were in excess of the current year's expenses. As a result, net assets increased by \$351,157.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2003

D. FUND FINANCIAL STATEMENT ANALYSIS

The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the Authority's governmental funds is to provide information on short-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements.

As of the end of fiscal year 2003, the Authority's governmental funds reported a combined ending fund balance of \$16.7 million. The fund balance was reserved for capital projects in the amount of \$12.9 million and for debt service requirements in the amount of \$3.8 million.

E. BUDGETARY HIGHLIGHTS

The funds of the Authority are not budgeted. Spending control is achieved through requirements of bond covenants.

F. LONG-TERM OBLIGATIONS

As of June 30, 2003, the Authority had outstanding debt issues as listed below (amounts in thousands).

2001 Government Center Certificates of Participation	\$	17,980
Water and Wastewater Revenue Bonds, Series 2001		<u>30,965</u>
Total Long-Term Debt	\$	<u>48,945</u>

During the fiscal year 2003, revenue bonds in the amount of \$20.6 million were issued by the City to provide funds to pay off the Authority's outstanding 1992 Utilities Revenue Bonds, Series B.

For more detailed information on the Authority's long-term debt, see the Notes to the Component Unit Basic Financial Statements.

G. REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Sunnyvale Finance Department, 650 W. Olive Avenue, Sunnyvale, California 94086.



Government-Wide Financial Statements

Sunnyvale Financing Authority

Statement of Net Assets
June 30, 2003

	Governmental Activities
Assets:	
Current Assets	
Cash and Investments Held by Fiscal Agent	\$ 16,646,455
Interest Receivable	6,450
Lease Receivable Due Within One Year	1,570,000
Total Current Assets	<u>18,222,905</u>
Noncurrent Assets	
Lease Receivable Due in More Than One Year	33,785,000
Total Noncurrent Assets	<u>33,785,000</u>
Total Assets	<u>52,007,905</u>
Liabilities:	
Current Liabilities	
Interest Payable	376,034
Long Term Debt - Due Within One Year	1,570,000
Total Current Liabilities	<u>1,946,034</u>
Noncurrent Liabilities	
Long-term Debt - Due in More than One Year	47,375,000
Total Noncurrent Liabilities	<u>47,375,000</u>
Total Liabilities	<u>49,321,034</u>
Net Assets:	
Restricted for:	
Debt Service	2,686,871
Total Net Assets	<u>\$ 2,686,871</u>

See Accompanying Notes to Basic Financial Statements

Sunnyvale Financing Authority

***Statement of Activities and Changes in Net Assets
Year Ended June 30, 2003***

	<u>Governmental Activities</u>
Program Expenses:	
Environmental Management :	
Interest Expense	<u>\$ 1,956,308</u>
Total Program Expenses	<u>1,956,308</u>
Program Revenues:	
Charges for Services:	
Lease Revenue from City	2,009,735
Investment Earnings - Restricted	<u>297,730</u>
Total Program Revenues	<u>2,307,465</u>
Change in Net Assets	351,157
Net Assets - Beginning of Year	<u>2,335,714</u>
Net Assets - End of Year	<u><u>\$ 2,686,871</u></u>

See Accompanying Notes to Basic Financial Statements



Governmental Fund Financial Statements

The 2001 Government Center Certificates of Participation Fund is used to accumulate funds for the debt service payments of the Certificates of Participation issued in 2001 to finance the acquisition of land and buildings for possible construction of a new government center. Debt service is financed with lease payments from the City.

The 1992 Utilities Revenue Bonds, Series B Fund is used to accumulate funds for the debt service payments of the Revenue Bonds issued in 1992 to finance the acquisition of the Wastewater Reuse and Sludge Management Facilities (Series A) and the Solid Waste Materials Recovery and Transfer Station (Series B). Debt service is financed with lease payments from the City's Solid Waste Management Enterprise Fund. The 1992 Utilities Revenue Bonds, Series A, was defeased by the issuance of the Authority's Water and Wastewater Revenue Bonds, Series 2001. The 1992 Utilities Revenue Bonds, Series B, was paid off by the City's issuance of the 2003 Solid Waste Revenue Refunding Bonds.

The Water and Wastewater Revenue Bonds, Series 2001 Fund is used to accumulate funds for the debt service payments of the Revenue Bonds issued in 2001 to defease the Authority's outstanding 1992 Utilities Revenue Bonds, Series A, and to finance certain improvements to the Wastewater System. Debt service is financed with lease payments from the City's Water Supply and Distribution and Wastewater Management Enterprise Funds.

The 2001 Wastewater Capital Projects Fund accounts for the use of proceeds from the issuance of Water and Wastewater Revenue Bonds, Series 2001.

Sunnyvale Financing Authority**Balance Sheet
Governmental Funds
June 30, 2003**

	Major Funds		
	2001 Government Center Certificates of Participation	1992 Utilities Revenue Bonds Series B	Water & Wastewater Revenue Bonds Series 2001
Assets:			
Cash and Investments Held by Fiscal Agent	\$ 1,244,977	\$ -	\$ 2,531,935
Accrued Interest Receivable	9	-	-
Lease Receivable	17,980,000	-	17,375,000
Total Assets	\$ 19,224,986	\$ -	\$ 19,906,935
Liabilities and Fund Balances:			
Liabilities:			
Accrued Interest Payable	\$ 14,433	\$ -	\$ -
Deferred Revenue	17,980,000	-	17,375,000
Total Liabilities	17,994,433	-	17,375,000
Fund Balances:			
Reserved for Capital Projects	-	-	-
Reserved for Debt Service	1,230,553	-	2,531,935
Total Fund Balances	1,230,553	-	2,531,935
Total Liabilities and Fund Balances	\$ 19,224,986	\$ -	\$ 19,906,935

See Accompanying Notes to Basic Financial Statements

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<u>2001 Wastewater Capital Projects</u>	<u>Total Major Governmental Funds</u>
\$ 12,869,543	\$ 16,646,455
6,441	6,450
-	35,355,000
<u>\$ 12,875,984</u>	<u>\$ 52,007,905</u>
\$ -	\$ 14,433
-	35,355,000
-	35,369,433
12,875,984	12,875,984
-	3,762,488
<u>12,875,984</u>	<u>16,638,472</u>
<u>\$ 12,875,984</u>	<u>\$ 52,007,905</u>



Sunnyvale Financing Authority

***Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2003***

Total Fund Balances - Total Governmental Funds \$ 16,638,472

Amounts reported for Governmental Activities in the Statement of Net Assets are different because:

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in Governmental Funds Balance Sheet. (361,601)

Deferred revenues resulting from leases that do not meet the revenue recognition criteria in governmental financial statements are reclassified as revenues in the Government-Wide Financial Statements. 35,355,000

Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet. (48,945,000)

Net Assets of Governmental Activities \$ 2,686,871

See Accompanying Notes to Basic Financial Statements

Sunnyvale Financing Authority**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2003**

	Major Funds		
	2001 Government Center Certificates of Participation	1992 Utilities Revenue Bonds Series B	Water & Wastewater Revenue Bonds Series 2001
Revenues:			
Lease Payments from City	\$ 497,592	\$ 19,541,613	\$ 2,465,530
Interest Income	34,582	-	146,268
Total Revenues	532,174	19,541,613	2,611,798
Expenditures:			
Debt Service:			
Principal Retirement	370,000	18,975,000	1,150,000
Interest Charges	219,249	566,932	1,460,781
Total Expenditures	589,249	19,541,932	2,610,781
Excess (Deficiency) of Revenues Over (Under) Expenditures	(57,075)	(319)	1,017
Other Financing Sources (Uses):			
Transfers In	-	-	-
Transfers Out	-	-	(1,319)
Total Other Financing Sources (Uses)	-	-	(1,319)
Net Change in Fund Balances	(57,075)	(319)	(302)
Fund Balances - Beginning of Year	1,287,628	319	2,532,237
Fund Balances - End of Year	\$ 1,230,553	\$ -	\$ 2,531,935

See Accompanying Notes to Basic Financial Statements

2001 Wastewater Capital Projects	Total Major Governmental Funds
\$ -	\$ 22,504,735
116,880	297,730
116,880	22,802,465
-	20,495,000
-	2,246,962
-	22,741,962
116,880	60,503
1,319	1,319
-	(1,319)
1,319	-
118,199	60,503
12,757,785	16,577,969
\$ 12,875,984	\$ 16,638,472

Sunnyvale Financing Authority

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets
Year Ended June 30, 2003**

Net Change in Fund Balances - Total Governmental Funds \$ 60,503

Amounts reported for governmental activities in the Statement of Activities are different because:

Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Assets.

This amount represents long-term debt repayments. 2,265,000

This amount represents payments made to escrow for retirement of debt. 18,230,000

Cash lease payments from City are recognized as revenues in the Governmental Funds. The principal portion of the lease payment is treated as a reduction in lease receivable in the Government-Wide Statement of Activities and Changes in Net Assets (20,495,000)

Interest expense on long-term debt is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources. Therefore, interest expense is not reported as expenditures in Governmental Funds. The following amount represents the change in accrued interest from prior year. 290,654

Change in Net Assets of Governmental Activities \$ 351,157

Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2003

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Sunnyvale Financing Authority (Authority), a component unit of the City of Sunnyvale (City), California, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

A. Reporting Entity

The Authority was established on September 29, 1992 by the Joint Exercise of Powers Agreement between the City and the Redevelopment Agency of the City of Sunnyvale (Agency).

The Authority is administered by a Board of Directors consisting of seven persons, each serving in his or her individual capacity as a Director of the Authority. The sitting members of the City Council constitute the Directors of the Authority until such time as they cease to be members of the City Council.

Additionally, the Authority shall have four officers as follows:

Chairperson – Mayor of the City
Vice-Chairperson – Vice-Mayor of the City
Executive Director – City Manager
Treasurer – Director of Finance

The City Attorney shall serve as General Counsel to the Authority and the City Clerk shall serve as Secretary. In addition to having the same governing board, the City is financially accountable for the Authority and conducts management activities of the Authority. Though legally a separate entity, the Authority is, in substance, a component unit of the City and is reported in the City's Comprehensive Annual Financial Report using the blended method.

The Board of the Authority is required to hold at least one regular meeting each year.

Notes to Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Authority resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The Authority's Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental Activities for the Authority. The Authority has no Business-Type Activities.

The Government-Wide Financial Statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the Authority's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. Currently, the Authority has no capital assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as revenues for the Authority are lease revenues received from the City and interest revenues. Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated. In the Statement of Activities, interfund transfers have been eliminated.

The Authority applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) to the governmental activities.

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the Government-Wide financial statements. The Authority has presented all governmental funds as major funds because the Authority believes the financial position and activities of those funds are significant to the Authority as a whole.

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in

Notes to Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 90 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Authority, are lease revenues and earnings on investments. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

C. Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Authority's policy is to apply restricted net assets first.

D. Cash, Deposits and Investments

The Authority's cash and investments consist of restricted funds held by fiscal agents to meet debt obligations. The Authority does not have any unrestricted cash and investments.

E. Long-term Debt

Government-Wide Financial Statements

Long-term debt and other financed obligations are reported as liabilities in the governmental activities.

Fund Financial Statements

The fund financial statements do not present long-term debt which is shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

F. Net Assets and Fund Equity

Government-Wide Financial Statements

Restricted Net Assets – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Assets – This amount is all net assets that do not meet the definition "restricted net assets."

Notes to Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003**1. SIGNIFICANT ACCOUNTING POLICIES, Continued****F. Net Assets and Fund Equity, Continued****Fund Financial Statements**

Fund Equity – Reservations and designations of fund balances of governmental funds are created to either satisfy legal covenants, including State laws, that require a portion of the fund equity be segregated or identify the portion of the fund equity not available for future expenditures.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenditures and expenses. Actual results could differ from these estimates and assumptions.

H. Implementation of New GASB Pronouncements

In fiscal year 2003, the Authority adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- Statement No. 39, *Determining Whether Certain Organizations are Component Units*.
- Statement No. 41, *Budgetary Comparison Schedules – Perspective Differences*

There were no effects on the financial statements as a result of the above Statements.

2. CASH AND INVESTMENTS

The Authority's cash and investments consist of cash and investments held by fiscal agents. At June 30, 2003, the Authority had the following cash and investment balances:

Cash and Investments Held by Fiscal Agents:	
2001 Government Center Certificates of Participation	\$ 1,244,977
Water and Wastewater Revenue Bonds, Series 2001	<u>15,401,478</u>
Total Cash and Investments Held By Fiscal Agents	<u>\$ 16,646,455</u>

Refer to the City's Comprehensive Annual Financial Report for detailed disclosure on cash and investments.

Notes to Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003**3. LEASE RECEIVABLE AND DEFERRED REVENUE**

The Authority has recorded a lease receivable in the amount of \$35,355,000 pursuant to the lease agreement between the Authority and the City in relation to the bonded indebtedness. The lease receivable along with investments held by fiscal agents secures the repayment of the different debt issues. The lease revenue is equal to the Authority's debt service requirements and is used for that purpose.

In the Fund Financial Statements a corresponding amount is recorded as deferred revenue since the assets are not current financial resources. In the Government-Wide Financial Statements the assets are offset by long-term debt with any remaining amounts being reflected in Net Assets.

4. LONG TERM DEBT

Following is a summary of long term debt transactions during the fiscal year ended June 30, 2003:

Description	Beginning Balance July 1, 2002	Additions	Reductions	Ending Balance June 30, 2003	Amounts Due Within One Year
Governmental Activities:				-	
2001 Government Center Certificates of Participation	\$ 18,350,000	\$ -	\$ (370,000)	\$ 17,980,000	\$ 380,000
Water and Wastewater Revenue Bonds, Series 2001	32,115,000	-	(1,150,000)	30,965,000	1,190,000
1992 Utilities Revenue Bonds, Series A	18,975,000	-	(18,975,000)	-	-
Total Governmental Activities	\$ 69,440,000	\$ -	\$ (20,495,000)	\$ 48,945,000	\$ 1,570,000

\$18,710,000 2001 Government Center Certificates of Participation

Due in annual installments of \$360,000-\$995,000 through April 1, 2031, variable interest rate determined weekly by the remarketing agent. Repayments are made from lease payments from the City and the Water Supply and Distribution, Wastewater Management and Solid Waste Management Enterprise Funds based on a predetermined prorata share of each activity's use of the premises.

Annual debt service requirements for the Government Center Certificates of Participation are based on a variable interest rate, which is determined by the remarketing agent as the rate, which would be necessary to enable the remarketing of the Certificates of Participation at 100% of the principal amount. At June 30, 2003, the average interest rate is 1.54%, which was the rate used to project the interest portion of the debt service payments for future years. This rate will change with market fluctuations.

Notes to Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003**4. LONG TERM DEBT, Continued**

The debt service requirements for the Certificates of Participation at June 30, 2003 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 380,000	\$ 276,892	\$ 656,892
2005	395,000	271,040	666,040
2006	410,000	264,957	674,957
2007	425,000	258,643	683,643
2008	440,000	252,098	692,098
2009-2013	2,450,000	1,153,768	3,603,768
2014-2018	2,925,000	950,950	3,875,950
2019-2023	3,500,000	708,785	4,208,785
2024-2028	4,175,000	419,265	4,594,265
2029-2032	2,880,000	89,782	2,969,782
Total	<u>\$ 17,980,000</u>	<u>\$ 4,646,180</u>	<u>\$ 22,626,180</u>

\$32,115,000 Water and Wastewater Revenue Bonds, Series 2001

Due in annual installments of \$1,150,000 - \$3,395,000 through October 1, 2026, interest at 2.5% - 5.17%, repayments made from lease payments from the City's Water Supply and Distribution and Wastewater Management Enterprise Funds.

The debt service requirements for the bonds at June 30, 2003 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 1,190,000	\$ 1,422,605	\$ 2,612,605
2005	1,230,000	1,382,200	2,612,200
2006	1,270,000	1,340,195	2,610,195
2007	1,320,000	1,294,170	2,614,170
2008	1,370,000	1,242,720	2,612,720
2009-2013	7,800,000	5,257,956	13,057,956
2014-2018	9,995,000	3,064,469	13,059,469
2019-2023	3,395,000	1,289,875	4,684,875
2024-2027	3,395,000	350,375	3,745,375
Total	<u>\$ 30,965,000</u>	<u>\$ 16,644,565</u>	<u>\$ 47,609,565</u>

Notes to Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003

4. LONG TERM DEBT, Continued

Retirement of 1992 Utilities Revenue Bonds, Series B

The Authority's 1992 Utilities Revenue Bonds, Series B was fully paid during the fiscal year. On February 4, 2003, the City of Sunnyvale, issued Solid Waste Revenue Bonds, Series 2003 and established an escrow in the amount of \$19,054,972 to repay the Authority's 1992 Utilities Revenue Bonds, Series B. These bonds were fully paid in March 2003.

5. SELF-INSURANCE AND CONTINGENT LIABILITIES

The Authority is covered under the City's self-insurance plan and various insurance policies. The City is self-insured for claims related to general liability up to \$500,000 per incident; for claims related to workers' compensation liability up to \$275,000 per incident; and for unemployment insurance through direct reimbursement to the State for actual unemployment benefits paid. Employers' Reinsurance, Inc. provides workers' compensation coverage to the City for claims up to \$1,000,000 for employer's liability damages and \$10,000,000 for statutory benefits in excess of \$275,000. The City participates in the liability program of California Joint Powers Risk Management Authority (CJPRMA), a risk sharing pool, which provides public liability coverage to its members. CJPRMA provides public liability coverage for claims in excess of \$500,000 up to \$14,500,000.

6. INTERFUND TRANSFERS

An interfund transfer is a legally authorized transfer between funds in which one fund is responsible for the initial receipt of funds and another fund is responsible for the actual disbursement.

The Water and Wastewater Revenue Bonds, Series 2001 Debt Service Fund transferred excess interest earnings in the amount of \$1,319 to the 2001 Wastewater Capital Projects Fund for project spending.

7. CLASSIFICATION OF NET ASSETS

Government-Wide Financial Statements

In the Government-Wide Financial Statements, net assets are classified in the following categories:

Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The restrictions imposed on net assets by the Authority are for debt service requirements.

Notes to Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003**7. CLASSIFICATION OF NET ASSETS , Continued**

Unrestricted Net Assets – This category represents the net assets of the Authority, which are not restricted for any project or other purpose.

Fund Financial Statements

In the Fund Financial Statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked by the Authority Board and Management and can be increased, reduced or eliminated by similar actions.

In Governmental Funds, fund reservations are presented as a component of fund balance as follows:

	Debt Service Funds		
	2001 Government Center Certificates of Participation	Water and Wastewater Revenue Bonds Series 2001	2001 Wastewater Capital Project Fund
Capital Projects	\$ -	\$ -	\$ 12,875,984
Debt Service	1,230,553	2,531,935	-
Total	<u>\$ 1,230,553</u>	<u>\$ 2,531,935</u>	<u>\$ 12,875,984</u>

Fund reservations are described as follows:

Reserved for capital projects represent amounts earmarked for wastewater improvement projects as prescribed in the bond covenants.

Reserved for Debt Service represents the portion of fund balance that is legally restricted as per the bond covenants for repayment of debt.

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